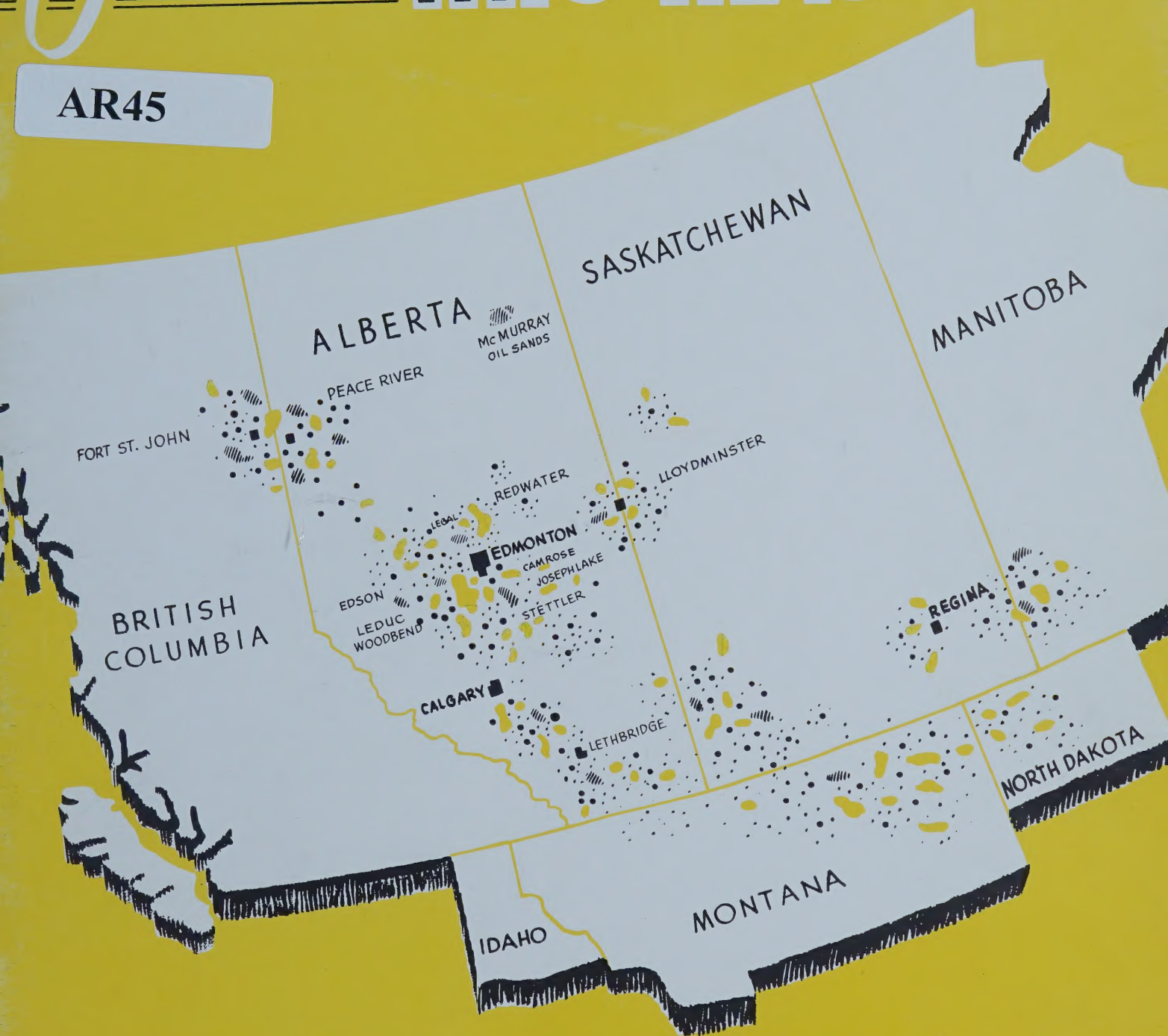


# Consolidated **MIC MAC** Oils LTD.

AR45



**THIRD ANNUAL REPORT**  
FOR THE YEAR ENDED FEBRUARY 28th, 1957





# Third Annual Report

T O T H E S H A R E H O L D E R S O F :

## CONSOLIDATED MIC MAC OILS LTD.

Y E A R E N D E D F E B R U A R Y 2 8 , 1 9 5 7

### DIRECTORS

RALPH A. BARD, Jr. .... Chicago, Ill.  
President, Chicago Canadian Holdings Ltd. and Manager, Investment Funds.

WALTER W. COOPER ..... New York, N.Y.  
General Partner, F. S. Smithers & Co. (Investment Bankers)

RENARD E. FREDERKING ..... Edmonton, Alberta  
Economist

JAMES R. JAMISON ..... Edmonton, Alberta  
Contractor

WILLIAM V. MacINNES ..... Toronto, Ont.  
Member, T. A. Richardson & Co. (Investment Brokers)

WILLIAM S. MCGREGOR ..... Edmonton, Alberta  
Executive

MICHAEL MITCHELL ..... Edmonton, Alberta  
Business Man

WALTER H. WALNE, Jr. .... Midland, Texas  
Vice-President, American Maracaibo Company and Felmont Oil Corporation

### OFFICERS

WILLIAM S. MCGREGOR ..... President and Managing Director

JAMES R. JAMISON ..... Vice-President

RENARD E. FREDERKING ..... Secretary-Treasurer

### REGISTRAR AND TRANSFER AGENTS

PRUDENTIAL TRUST COMPANY LIMITED  
Edmonton, Alberta; Calgary, Alberta; Toronto, Ontario; Vancouver, B.C.

### AUDITORS

WINSPEAR, HAMILTON, ANDERSON & CO.  
Edmonton, Alberta

### GENERAL COUNSEL

JACKSON, ARLETTE & MacIVER,  
410 Empire Building, Edmonton, Alberta

### REGISTERED OFFICE

11536 Jasper Avenue, Edmonton, Alberta

# Directors' Report

## TO THE SHAREHOLDERS

### CONSOLIDATED MIC MAC OILS LTD.

Your Directors are pleased to submit herewith the Third Annual Report on the operations and status of your Company, including audited consolidated financial statements for the fiscal year ended February 28, 1957.

#### STURGEON LAKE SOUTH

The development by Hudsons' Bay Oil & Gas Co. Ltd. and Union Oil Company of California of this 47,200 acre lease block (recently converted from 100,000 acre Crown reservation), in which Consolidated Mic Mac Oils Ltd. has an 8⅓% net carried interest, has been progressing favourably. To date, 35 D-3 oil wells and one Triassic oil well have been completed and an important recent development has been the discovery of three additional producing zones in the area. The potential of this field may be appreciated from the fact that one well in which we participated recently found four productive zones. The D-3 reef showed 350 feet of pay at about 8,000 feet; the D-2, or Winterburn, produced oil at 7,600 feet; the D-1 zone produced gas at 7,500 feet and the Triassic produced oil from 5,000 feet. Further development will be needed to determine the extent of each horizon. At this time it is expected that additional wells will be completed in each of these producing zones.

As yet it is impossible to forecast accurately the exact time when Consolidated Mic Mac Oils Ltd. will receive income from this asset in addition to the income which it now receives from the discovery well. However, your management anticipates substantial income from this field over the relatively near term future—possibly within two years.

#### SOUTHEAST SASKATCHEWAN

During the period under review, Consolidated Mic Mac Oils Ltd. joined with Husky Oil & Refining Ltd. to drill 25 different lease parcels in southeast Saskatchewan. The drilling of 23 of these blocks has resulted in six discoveries of light gravity crude oil. A total of eleven development wells has also been drilled adjacent to the six discovery wells. Plans have been made to drill the 24th and 25th blocks. The purchase of 5,000 additional acres of proven and semi-proven, Crown and freehold leases in this area provide your Company with interests ranging between 17½% and 50% in a total of 27 scattered parcels of roughly 1,000 acres each on which we now have interests in 17 producing wells. Further development drilling should add greater reserves and produce larger income from our interests in this area.



## **ATHABASCA OIL SANDS**

Consolidated Mic Mac Oils Ltd. has carried out some core drilling in the Athabasca bituminous tar sands on the 50,000 acre permit situated north of McMurray under which your Company is the operator and has a 20% undivided interest. This permit appears to be well located. Several major companies are making studies and doing preliminary work with a view towards commercial extraction of oil from these sands.

One company has stated that it is preparing to go into production and has stated further that it expects to have oil flowing through a line from these sands to Edmonton within thirty months.

## **JOFFRE**

The current income which Consolidated Mic Mac Oils Ltd. has been receiving from its 90% interest in the half-section that it operates in Joffre may be expanded due to further activity. Representatives of your Company have attended meetings in connection with possible water flooding of this Viking sand field which could increase the recoverable oil. Of possible interest, also, is the discovery of production in the D-2 by Imperial Oil Limited and Bailey Selburn Oil & Gas Ltd. within one mile of our property. Your Company's management is watching this development with interest as our property may also be productive from this deeper zone.

## **PEACE RIVER PIPELINE**

Consolidated Mic Mac Oils Ltd. owns 6,382 shares, out of a total of 187,500 shares outstanding, issued by Peace River Pipeline Co. Ltd. which carries oil from Sturgeon Lake to the Trans-Mountain Pipeline near Edson. This asset should become increasingly valuable as this pipeline appears to be in a strategic position to serve any additional production in a broad zone around its present service area.

## **BRITISH COLUMBIA**

Phillips Petroleum Company has completed a seismic survey on 124,464 acres in which Consolidated Mic Mac Oils Ltd. has  $\frac{1}{3}$  of 1% gross royalty and a 7½% participating interest. The acreage so surveyed is in Fort St. John area of British Columbia and is adjacent to the Westcoast Transmission Line. Your management has been informed that a well is scheduled to be drilled on this property during 1957. Your Company has a small net carried interest on a further 119,840 acres, which is farmed-out to Gulf States Co. of Canada, who are doing geophysical work prior to drilling.

## **WESTERN ALBERTA**

In the Ram River, Berland River and Berland Lake areas, located on or near the Alberta foothills, your Company holds gross royalties of from ½% to 1% on 132,340 acres of reservation land. A 45% interest is also held in 9,440 acres of Crown land in the Little Smoky area northwest of Edson, Alberta and is one of the most actively explored areas in western Canada.

## **BITTERN LAKE**

In 1956 your Company had a 10% participation in a gas discovery in the Bittern Lake area of central Alberta. This well has an estimated reserve of 13 billion cubic feet. It is anticipated that when a market for this gas is available, the 4,787 acres around this well, which are held by the group, will also be developed.

## **EXPLORATION**

For about a year Consolidated Mic Mac Oils Ltd. as operator, together with certain partners, has carried out a substantial geophysical program in western Canada and plans have been made to continue this exploration. Both your management and its partners in this program are optimistic regarding possible results and acreage has been acquired for future drilling on this program.

## **SWAN HILLS**

The 50% net interest which Consolidated Mic Mac Oils Ltd. has held in 3,840 acres in the Swan Hills area is northeast of the recent Virginia Hills discoveries. This holding has been expanded by the recent acquisition of a 50% interest in an additional 1,120 acres. Your Company has just signed an agreement with McColl-Frontenac Oil Co. Ltd. to drill this property and a well may be commenced around the end of July.

## **SUMMARY**

The past year has been important in the growth of your Company. It is the policy of your management to maintain balanced operations by increasing income through the acquisition of light gravity oil reserves at favorable prices, by maintaining a controlled exploration program and by continually endeavoring to improve its land picture in prospective oil and gas areas in western Canada.

It has been reported from time to time in the past that certain Consolidated Mic Mac Oils Ltd. land blocks are farmed-out to major companies for evaluation and eventual drilling at no cost to your Company. This program may be continued from time to time when your management considers it in the best interest of the shareholders.

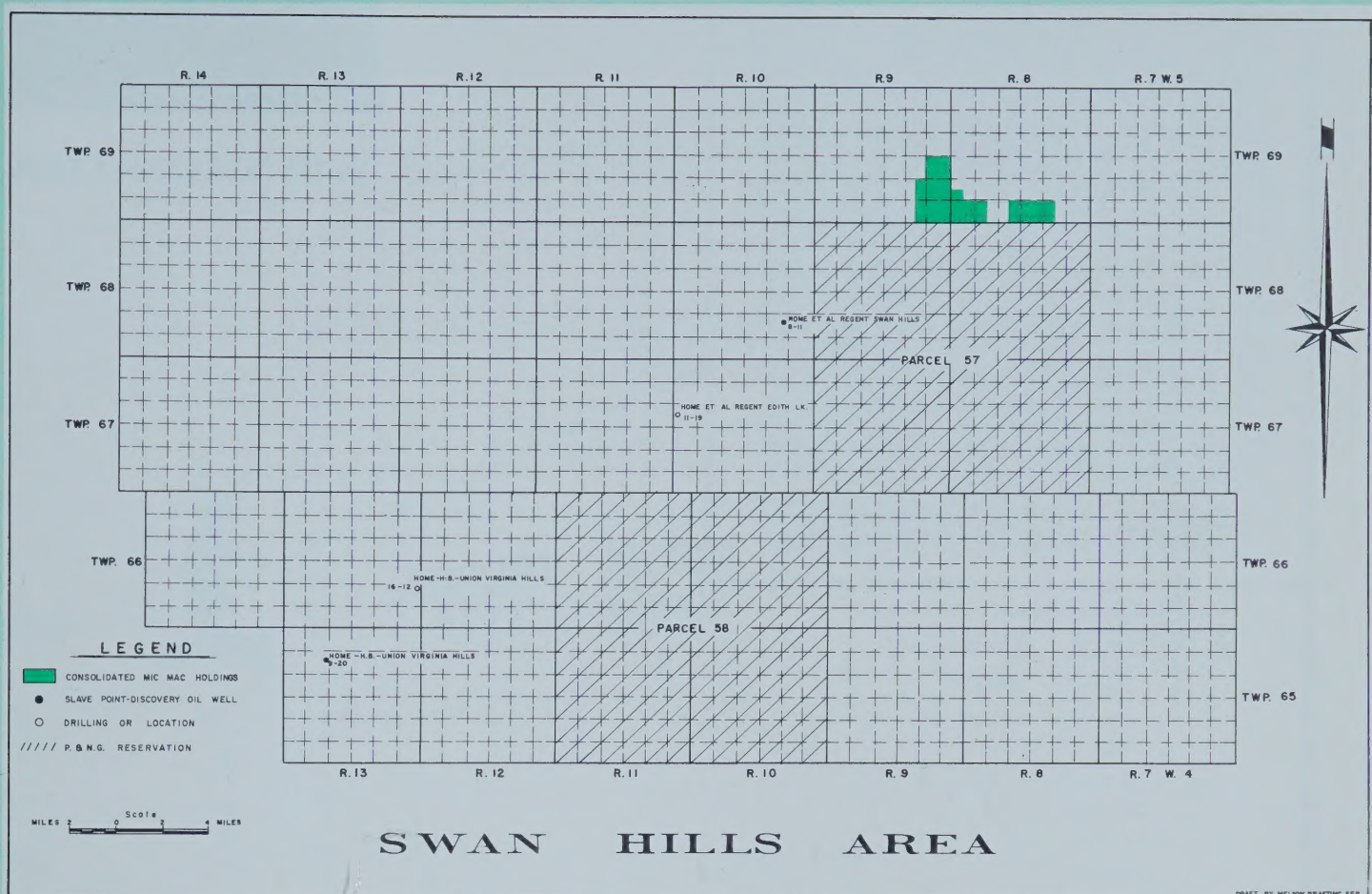
The management is happy to report a successful year and a comfortable financial position with no outstanding indebtedness.

The Directors would like to take this opportunity to express their sincere appreciation for the support and encouragement received from the shareholders and also to the staff for their co-operation and devotion to duty. The Company's progress is a direct reflection of this loyalty and co-operation.

Respectfully submitted on behalf of the Board of Directors,

W. S. McGregor,  
President and Managing Director.





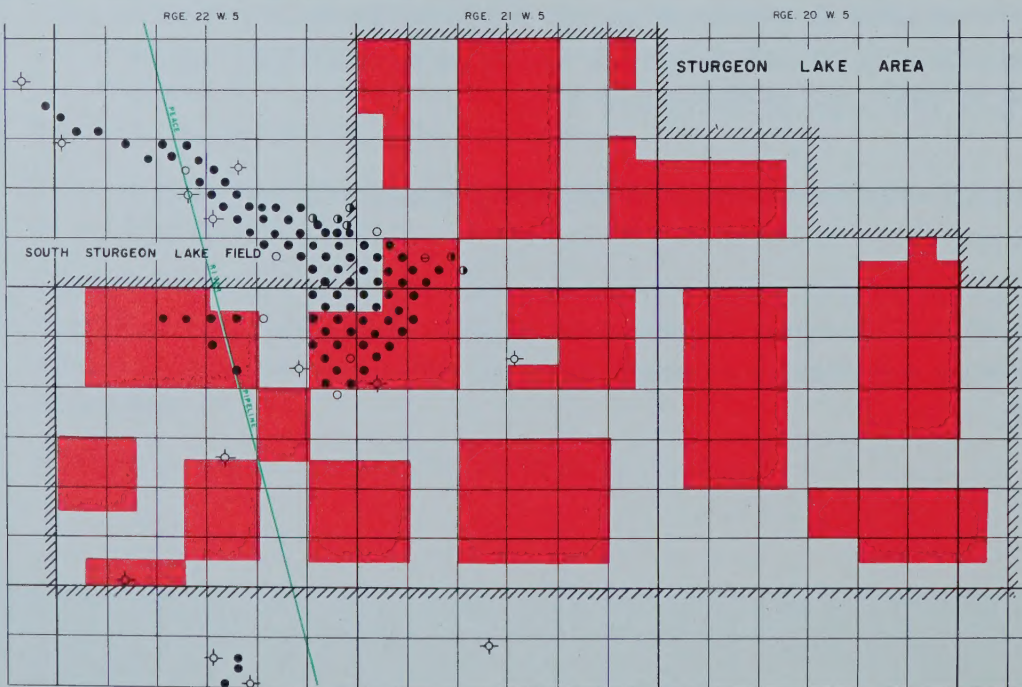
Consolidated Mic Mac owns a 50% undivided interest in 4,960 acres of Crown leases located on strike with the recent Home Oil, Slave Point discovery oil wells which are located in the Swan Hills and Virginia Hills areas of north-central Alberta.

Plans are under way to develop this promising acreage in the very near future.

The Alberta Government has offered for sale Provincial Parcels Nos. 57 and 58 as shown on the above map. This sale will take place July 23, 1957.



BRITISH COLUMBIA



RESERVATION BOUNDARY

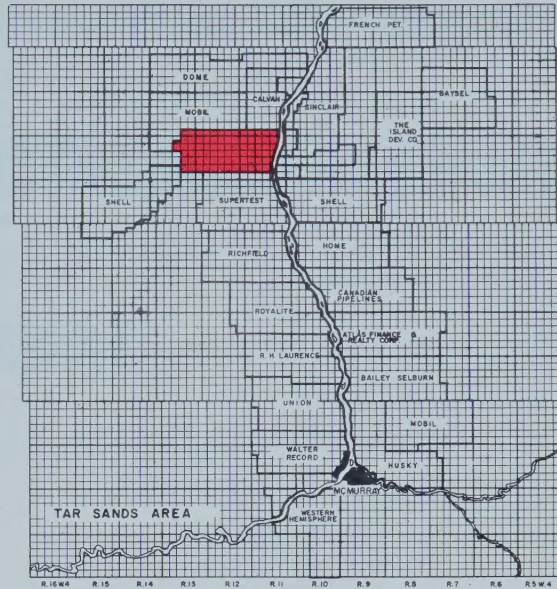
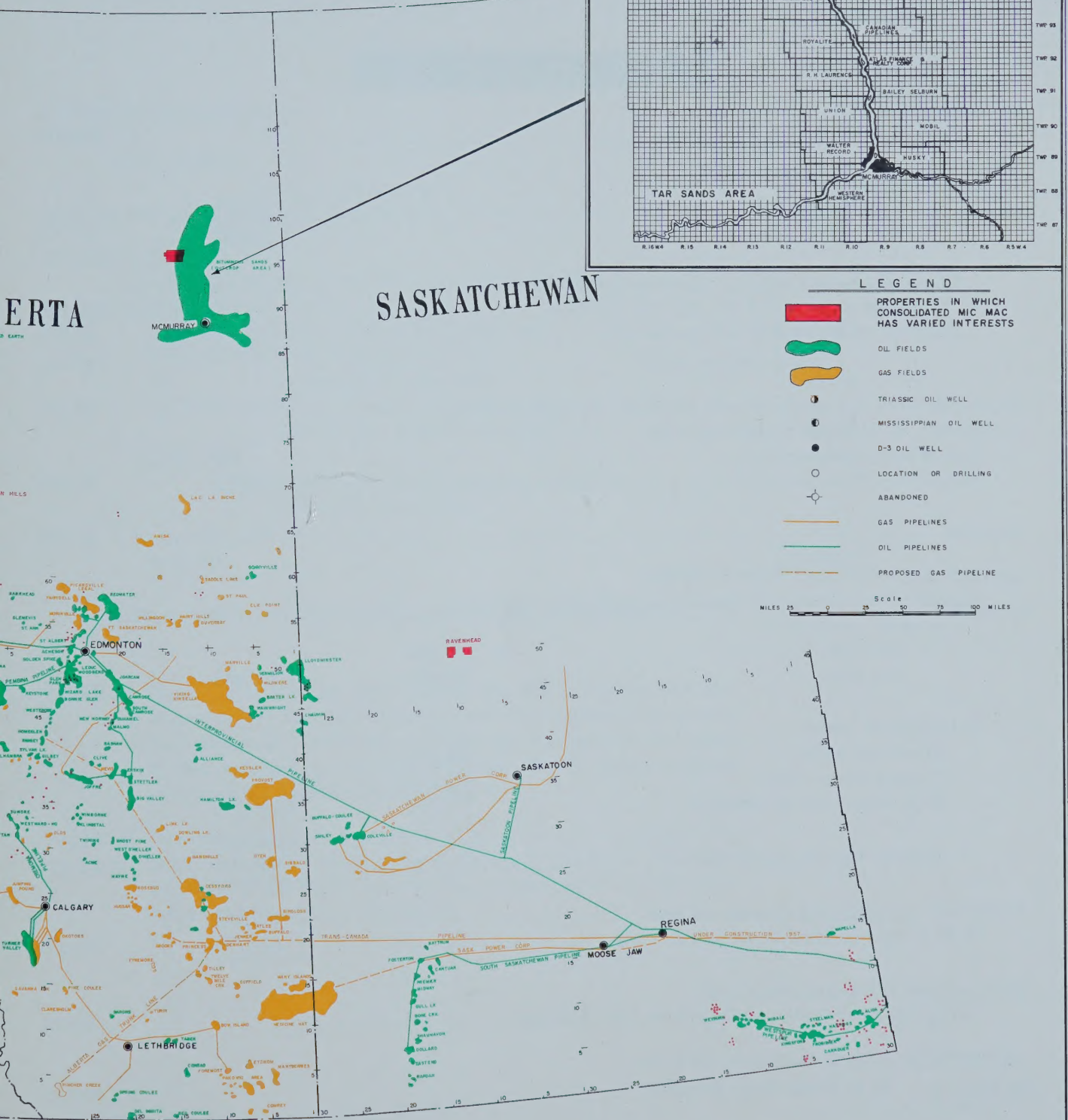
LEASE SELECTION



## LAND HOLDINGS

ERTA

SASKATCHEWAN



### LEGEND

- PROPERTIES IN WHICH CONSOLIDATED MIC MAC HAS VARIED INTERESTS
- OIL FIELDS
- GAS FIELDS
- TRIASSIC OIL WELL
- MISSISSIPPIAN OIL WELL
- D-3 OIL WELL
- LOCATION OR DRILLING
- ABANDONED
- GAS PIPELINES
- OIL PIPELINES
- PROPOSED GAS PIPELINE

MILES 25 0 25 50 75 100 MILES

# Balance Sheet

## CONSOLIDATED MIC MAC OILS LTD

### CONSOLIDATED BALANCE SHEET

#### ASSETS

##### CURRENT ASSETS

Balance at banks .....		\$	306,030
Accounts receivable			
Oil production .....	\$	65,873	
Other .....		80,905	146,778
Shares of parent company owned by subsidiary— at cost (sold March 25, 1957 for \$168,834) .....			109,746
Inventory of casing and tubing—at cost .....			34,701
Total current assets .....			597,255
Receivable from employees on sale of parent company shares .....			27,000
Investments in other companies—at cost:			
New Wealth Investors Ltd. ....		100	
Peace River Pipe Lines Ltd. ....		63,820	63,920
Deposits .....			27,000

##### LEASES AND DEVELOPMENT COSTS

Interest in petroleum and natural gas rights and royalties— at cost:			
For cash .....	\$	909,389	
For shares .....		308,600	1,217,989
Development costs:			
Producing wells .....		996,143	
Unproductive wells .....		913,233	
Exploratory and geophysical .....		170,743	2,080,119
			3,298,108
Deduct: Net income to date .....		694,554	2,603,554
Production and office equipment—at cost .....		411,114	
Deduct: Accumulated depreciation .....		211,776	199,338
Incorporation and organization costs (including commissions of \$52,084 on sale of shares) .....			80,300
APPROVED: Wm. S. McGregor, Director.			
R. E. Frederking, Director.			\$ 3,598,367

See Auditors' Report attached.



# AND ITS SUBSIDIARY COMPANIES

AS AT FEBRUARY 28, 1957

## LIABILITIES

### CURRENT LIABILITIES

Trade creditors .....	\$ 27,143
Total current liabilities .....	27,143
Minority interest in subsidiary companies .....	6,225

### SHARE CAPITAL

Authorized—5,000,000 shares of a par value of \$1.00 each

Issued as fully paid—Note “1”

905,807 shares for a cash consideration of .....	\$ 2,127,461
1,392,688 shares in exchange for shares of subsidiary companies .....	1,315,830
155,000 shares for interest in petroleum and natural gas rights and royalties .....	173,600
<u>2,453,495</u>	<u>3,616,891</u>
Less: shares of parent company owned by subsidiary companies	
3,500 —at cost .....	7,839
<u>2,449,995</u>	<u>3,609,052</u>

Deduct: Deficit arising out of provision for loss on receivables .....	<u>44,053</u>	3,564,999
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NOTE 1: Under an agreement dated March 22, 1957, Consolidated Mic Mac Oils Ltd. has sold 91,000 shares of its capital stock to Taranco Holdings Limited for \$379,000 and has granted an option to that company to purchase a further 120,000 shares at prices ranging from \$4.50 to \$5.25 per share.

NOTE 2: In accordance with the policy of prior years no provision has been made in the accounts for depletion of interest in petroleum and natural gas rights and royalties or amortization of well costs except to the extent of net income.

\$ 3,598,367

# Statement of Profit and Loss

## CONSOLIDATED MIC MAC OILS LTD. AND ITS SUBSIDIARY COMPANIES

### CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED FEBRUARY 28, 1957

#### INCOME

Proceeds from oil production and oil royalties .....	\$621,042
Supervision fees .....	41,850
Interest on investments and sundry income .....	4,596
	<u>667,488</u>

#### EXPENSES

Well operating costs .....	\$ 66,311	
Provision for depreciation .....	82,186	
Directors' fees .....	2,743	
General and administrative .....	118,860	270,100
Net operating income .....		397,388
Deduct: Share of net proceeds of production accruing to other participants .....		165,233
Net income for current year .....		232,155
Add: Gain on sale of parent company's shares owned by subsidiary .....		3,470
Balance of net income from previous year .....		458,929
Balance as at February 28, 1957 applied to development and acquisition costs .....		<u>\$694,554</u>

## Auditors' Report

TO THE SHAREHOLDERS OF  
CONSOLIDATED MIC MAC OILS LTD.

We have examined the consolidated balance sheet of Consolidated Mic Mac Oils Ltd. and its subsidiary companies, Mac Oils Limited, Banner Petroleum Corporation Ltd. and Skyline Oils Ltd., as at February 28, 1957 and the consolidated statement of profit and loss for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

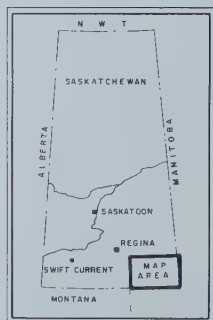
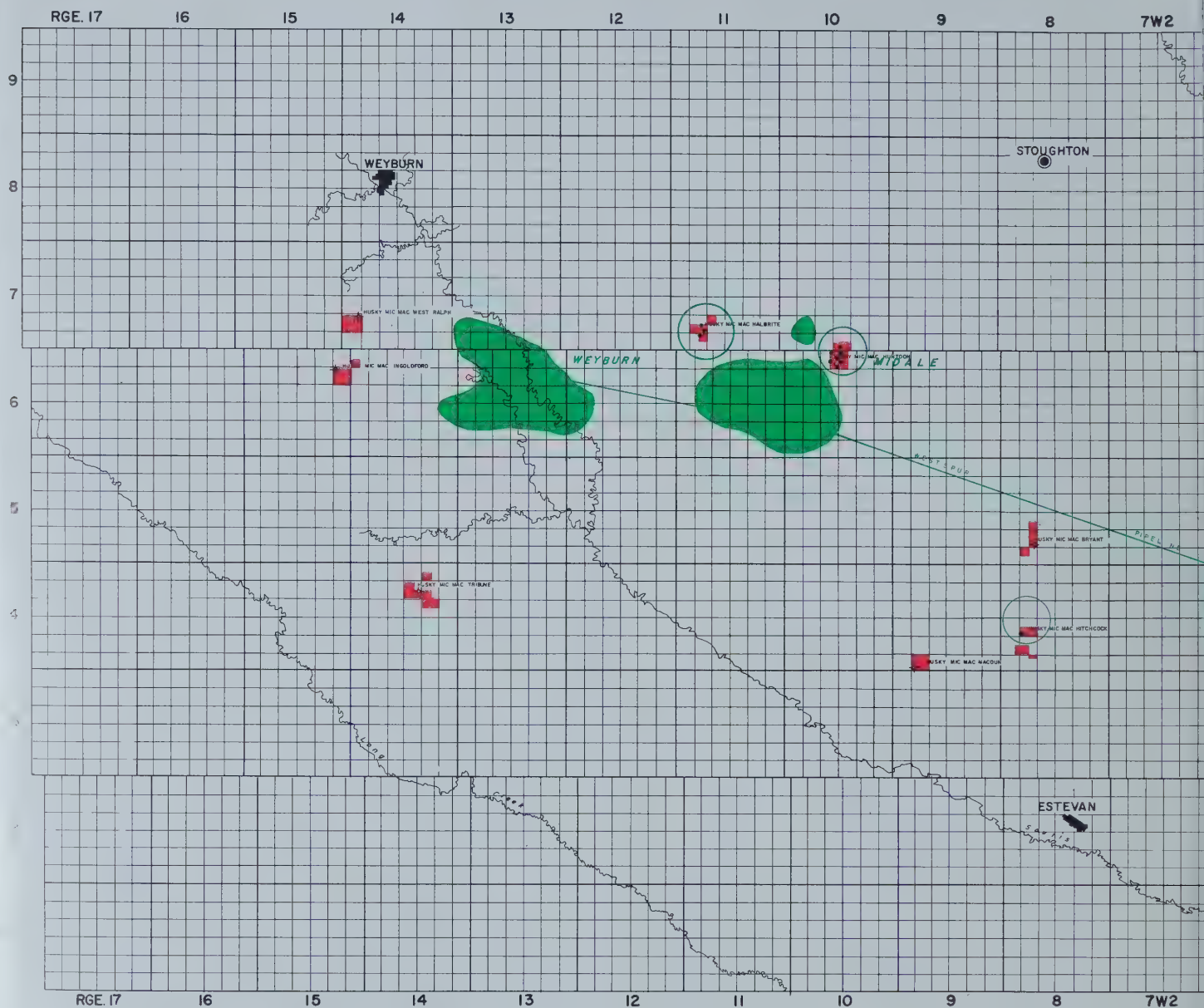
In our opinion the accompanying consolidated balance sheet and consolidated statement of profit and loss are properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the companies as at February 28, 1957 and the combined results of operations for the year ended on that date, according to the best of our information and the explanations given to us and as shown by the books of the companies.

EDMONTON, Alberta,  
June 3, 1957.

WINSPEAR, HAMILTON, ANDERSON & COMPANY,  
Chartered Accountants.

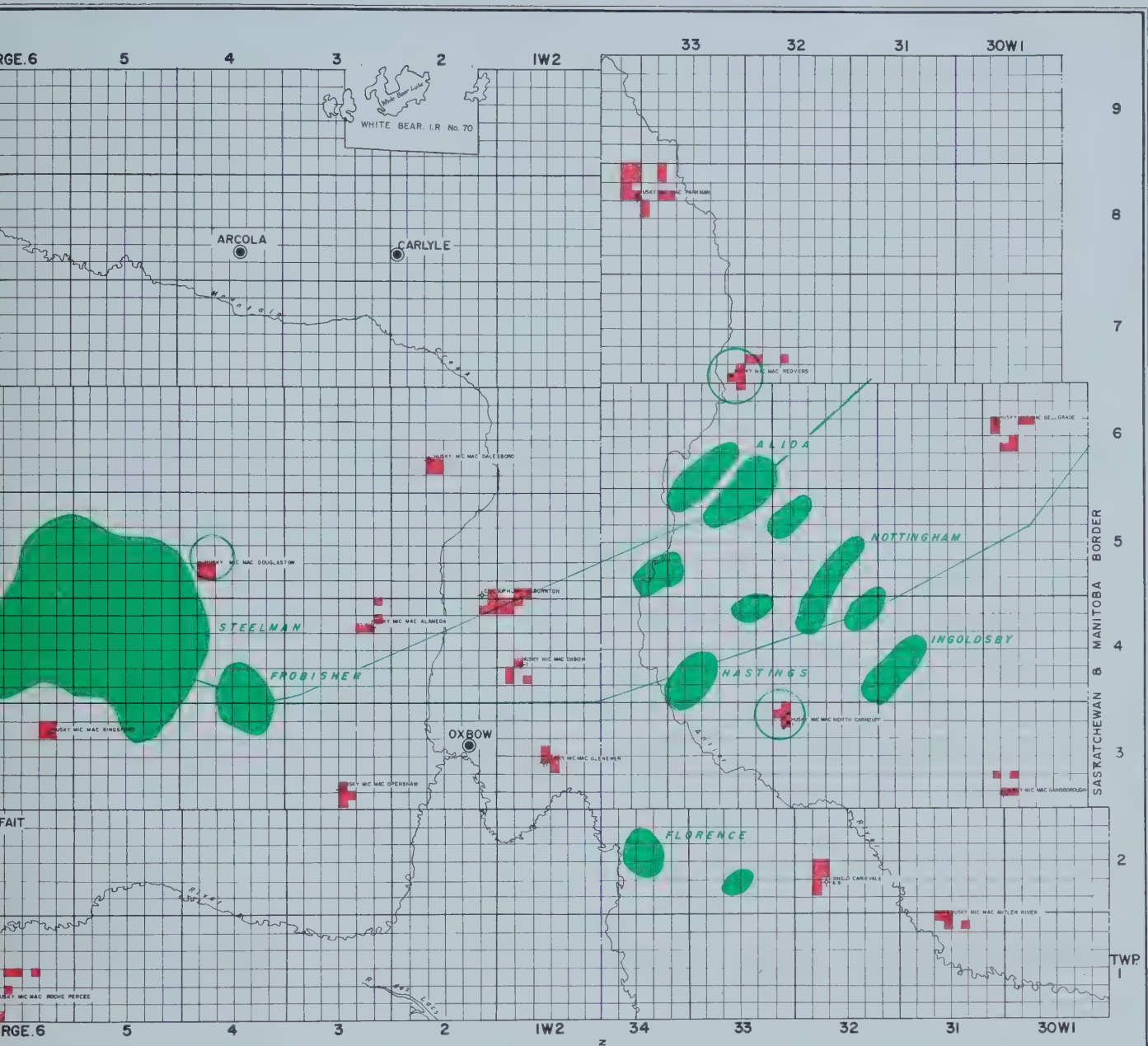






SOUTH EAST SASKA  
 SHOWING  
 JOINT LAND HOLDINGS & WELLS  
 BY THE  
 HUSKY - CONSOLIDATED





CHEWAN AREA

S DRILLED TO DATE

MIC MAC TEAM

# LEGEND



CONSOLIDATED MIC MAC LAND HOLDINGS  
17% to 50% INTEREST



OIL FIELDS



OIL PIPELINE



DISCOVERY



DEVELOPMENT OIL WELL



LOCATION OR DRILLING



ABANDONED WELL

SCALE  
MILES 2 0 2 4 MILES



LITHOGRAPHED IN CANADA  
HAMLY PRESS LTD. EDMONTON











# Consolidated MIC MAC Oils LTD.

PHONES: 81443 - 81994  
11536 JASPER AVENUE  
EDMONTON, ALBERTA

**AR45**

## PRESIDENT'S SUPPLEMENTARY REPORT

Edmonton, Alberta

May 30, 1957.

Dear Shareholder:

Since the close of the fiscal year ended February 28, 1957, which is the subject of the Third Annual Report of Directors, Consolidated Mic Mac Oils Ltd., with the approval of the Toronto Stock Exchange, sold additional shares of \$1.00 par value Capital stock and in connection therewith granted certain options to purchase further additional shares. A total of 60,000 shares of authorized but unissued stock were sold at a net price of \$4.25 per share or a total of \$255,000. Also, options were granted to purchase a total of 120,000 authorized but unissued shares as follows:

No. of Shares	Expiry	Net Price
30,000	December 23, 1957	\$4.50
30,000	March 23, 1958	\$4.75
30,000	June 23, 1958	\$5.00
30,000	September 23, 1958	\$5.25

Such shares were sold and the above described options granted to certain oil and investment interests some of whom are actively participating in an exploration program operated by Consolidated Mic Mac Oils Ltd.

The proceeds from the sale of the 60,000 shares and from the exercise of certain options previously outstanding place your treasury in a comfortable financial position. Funds on hand together with increasing income from oil production and funds anticipated from the exercise of the option expiring September 23, 1957 and the new options described above should be sufficient to finance a substantial exploration and development program. However, the credit status of your Company has enabled management to protect its development interest in its exploration program by being able to obtain a \$500,000 line of credit, if ever required, without paying a standby commitment fee.

As in the past your Directors will endeavor to keep you informed as to any changes and as to the future progress of your Company's affairs.

(Signed) "W. S. McGREGOR"

